

**SUMMARY OF THE REGULAR MEETING OF THE  
ARIZONA STATE RETIREMENT SYSTEM  
INVESTMENT COMMITTEE**

**HELD ON**

**Monday, July 7, 2008  
3:00 p.m.**

The Investment Committee (IC) of the Arizona State Retirement System (ASRS) met at 3300 N. Central Avenue, 14th Floor Conference Room, Phoenix, Arizona 85012. Mr. Lawrence Trachtenberg, Chair of the IC, called the meeting to order at 3:04 p.m., Arizona Time.

The meeting was teleconferenced to the ASRS Tucson office, 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona 85710.

**1. Call to Order; Roll Call; Opening Remarks**

Present:       Mr. Lawrence Trachtenberg, Chair  
                  Mr. Christopher Harris, Vice-chair  
                  Mr. Thomas Connelly  
                  Mr. James McLaughlin

A quorum was present for the purpose of conducting business.

**1. Approval of the Minutes of the June 11, 2008 IC Meeting**

**Motion:**       Mr. Christopher Harris moved the minutes of the June 11, 2008, IC meeting be adopted as presented. Mr. James McLaughlin seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

**2. Presentation, Discussion, and Appropriate Action Regarding Economic/Financial Markets**

Mr. Lawrence Trachtenberg introduced the topic. Mr. Gary R. Dokes, Chief Investment Officer (CIO), introduced Ms. Janet Campagna, Managing Director, Quantitative Investments, Deutsche Asset Management. Ms. Campagna and her colleagues presented their perspectives on the U.S. and world economy and financial markets. A comprehensive dialogue was held.

**3. Presentation and Discussion, and Appropriate Action Regarding ASRS Investment Program Rebalancing**

Mr. Trachtenberg introduced the topic. Mr. Dokes gave a detailed presentation. Distinct rebalancing policies exist for the management of the ASRS Plan/System/Health Benefit Supplement (HBS) and LTD Program assets. The former is overseen and executed by Investment Management Division (IMD) staff; the latter is overseen by IMD staff and executed by Barclays Global Investors (BGI). The objective is to identify potential actions which may be taken when deviation occurs in the Plan/System/HBS between asset allocation policy targets and actual weights.

Mr. Dokes noted amended rebalancing policies for the Plan/System/HBS and LTD were approved by the Board in July 2007. Amendments were the result of bifurcating the asset allocation and rebalancing policies to more accurately reflect the activities associated with management of each ASRS investment fund. The rebalancing policy is as follows: if the magnitude of the difference is outside the policy target bands, rebalancing back into the bands will occur regardless of the opportunities for cost reduction. If the magnitude of the difference is within the policy target bands, rebalancing may occur based on asset class discussions and if sufficient opportunities for cost reductions exist.

Mr. Dokes explained that IMD staff monitors and reports Plan/System/HBS asset class market value positions daily and determines the 1) magnitude (%/\$) of the over-/under-weight deviations, 2) if such deviations are within or exceed policy target bands, and 3) potential courses of action and associated preliminary cost estimates. A rebalancing committee consisting of the CIO, asset class portfolio managers and other appropriate staff meet on a monthly basis.

Mr. Dokes outlined performance measurement and attribution reporting, and current and future initiatives. The following initiatives are being pursued for the Plan/System/HBS.

- Evaluate the ability to and benefits of creating a separate rebalancing account at the ASRS custodian. The account may provide further flexibility regarding the timing and use of cash and synthetics and within benchmark sectors of ASRS asset allocation policy.
- Develop a more systematic corporate “house” view of the markets, which may be a catalyst for future discussions regarding potential modifications to ASRS Strategic Asset Allocation Policy and the tactical implementation of asset classes and investment strategies while anticipated to migrate risk and/or positively contribute to ASRS investment return objectives.

#### **4. Presentation, Discussion, and Appropriate Action Regarding ASRS Asset Class Committees**

Mr. Trachtenberg introduced the topic. The following staff updated the IC regarding activities that have occurred and are anticipated to occur in 2008 with regards to the respective Asset Class Committees.

- Private Equity Committee - Mr. Richard Henkel, Private Equity Portfolio Manager
- Opportunistic Investment Committee - Mr. Brian Luedtke, Fixed Income Portfolio Manager
- Public Equity/Fixed Income Markets Committee - Mr. Luedtke
- Real Estate Committee - Mr. Ethan Hurley, Assistant Private Equity/Real Estate Portfolio Manager

#### **5. Presentation, Discussion, and Appropriate Action Regarding the ASRS General Investment Consulting Contract**

Mr. Trachtenberg introduced the topic. Mr. Dokes said the General Investment Consulting contracts with Mercer, Callan, and R.V. Kuhns expire on January 21, 2009. Mercer is ASRS’

primary general consultant; Callan and R.V. Kuhns are backup consultants and through the direction of the IC Chair, Director, or CIO, may be engaged at the request of the Board, IC, Director, or CIO. General consulting services include but are not limited to performance measurement and reporting, investment manager searches, strategic and tactical investment allocation analyses/recommendations, strategic policy and operation procedure review, and requested special projects. A Search Committee will be formed, and IC members were asked if they would like to be members of the Evaluation Committee.

## **6. Call to the Public**

No members of the public requested to speak to the IC.

The meeting adjourned at 7:04 PM.

Respectfully submitted,

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Lisa Hanneman, Secretary

Date

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Gary R. Dokes, Chief Investment Officer

Date